

**MCBAIN RURAL AGRICULTURAL SCHOOLS**

**MCBAIN, MICHIGAN**

**JUNE 30, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008

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# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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July 28, 2008

### INDEPENDENT AUDITORS' REPORT

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the McBain Rural Agricultural Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2008, on our consideration of McBain Rural Agricultural Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii through viii and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the McBain Rural Agricultural Schools, McBain, Michigan basic financial statements. The combining and individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

McBain Rural Agricultural Schools, a K-12 school district located in Missaukee, Clare, Osceola and Wexford Counties, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the McBain Rural Agricultural Schools administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**A. Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds which include Special Revenue Funds, Capital Projects and Debt Service Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**B. Government-wide Financial Statements**

The government-wide financial statements, required by GASB 34, are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**C. Summary of Net Assets**

The following schedule summarizes the net assets at fiscal years ended June 30:

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

<b>Assets</b>	<u>2008</u>	<u>2007</u>
Current Assets	\$ 5,272,909	\$ 5,353,607
Non Current Assets		
Capital Assets	14,924,490	14,827,879
Less Accumulated Depreciation	<u>(5,336,028)</u>	<u>(4,877,408)</u>
Total Non Current Assets	<u>9,588,462</u>	<u>9,950,471</u>
Total Assets	<u><u>\$ 14,861,371</u></u>	<u><u>\$ 15,304,078</u></u>
<b>Liabilities</b>		
Current Liabilities	\$ 1,198,304	\$ 1,138,649
Non Current Liabilities	<u>1,607,521</u>	<u>1,997,521</u>
Total Liabilities	<u>2,805,825</u>	<u>3,136,170</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	7,590,941	7,562,950
Restricted for Debt Service	222,925	197,434
Unrestricted	<u>4,241,680</u>	<u>4,407,524</u>
Total Net Assets	<u>12,055,546</u>	<u>12,167,908</u>
Total Liabilities and Net Assets	<u><u>\$ 14,861,371</u></u>	<u><u>\$ 15,304,078</u></u>

**D. Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets decreased by \$112,362. A few of the more significant factors affecting net assets during the year are discussed below:

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$508,139 was recorded for depreciation expense.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$146,130 of expenditures were capitalized and recorded assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to net capital assets in the amount of \$362,009 for the fiscal year ended June 30, 2008.

**E. Results of Operations**

For the fiscal year ended June 30, 2008 and 2007, the results of operations, on a District-wide basis, were:

	2008		2007	
	Amount	% of Total	Amount	% of Total
<b>General Revenues</b>				
Property Taxes	\$1,548,781	16.93%	\$ 1,639,452	17.52%
Investment Earnings	132,171	1.44%	164,013	1.75%
State Sources	6,258,724	68.39%	6,279,742	67.11%
Other	40,000	0.44%	38,513	0.41%
Total General Revenues	7,979,676	87.20%	8,121,720	86.79%
<b>Program Revenues</b>				
Charges for Services	187,557	2.05%	179,773	1.92%
Operating Grants	984,004	10.75%	1,055,887	11.29%
Total Program Revenues	1,171,561	12.80%	1,235,660	13.21%
Total Revenues	9,151,237	100.00%	9,357,380	100.00%
<b>Expenses</b>				
Instruction	5,307,745	57.30%	5,051,269	55.64%
Supporting Services	2,686,728	29.00%	2,746,908	30.26%
Food Service	324,543	3.50%	299,191	3.29%
Athletic Activities	295,962	3.19%	296,332	3.26%
Library Activities	24,772	0.27%	26,804	0.30%
Interest on Long-Term Debt	115,686	1.25%	138,902	1.53%
Community Services	24	0.00%	44	0.00%
Unallocated Depreciation	508,139	5.49%	519,583	5.72%
Total Expenses	9,263,599	100.00%	9,079,033	100.00%
Change in Net Assets	<u>\$ (112,362)</u>		<u>\$ 278,347</u>	



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**F. Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levies 18.00 mills of property taxes for operations on non-homestead properties, less the mandatory reductions required by the Headlee Amendment, Article IX, Section 31. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the District levied \$1,020,469 in non-homestead property taxes. This represented an increase of 4.57% from the prior year. The amount of unpaid property taxes at June 30, 2007, was \$9,518.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Homestead Tax Levy</u>
2007-2008	1,020,469
2006-2007	975,241
2005-2006	912,312
2004-2005	869,903
2003-2004	834,694

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007-2008 fiscal year, the District received \$7,204 per student FTE.

**3. Student Enrollment**

The following schedule summarizes the blended student enrollment for the past five fiscal years:

<u>Fiscal Year</u>	<u>Blended Student FTE</u>
2007-2008	1,019
2006-2007	1,039
2005-2006	1,055
2004-2005	1,055
2003-2004	1,097

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state, and other grants accounted for \$984,004.

**G. General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the 2007-2008 fiscal year, the District amended the general fund budget in February and June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	<u>\$8,380,940</u>	<u>\$8,227,475</u>	<u>\$8,193,623</u>
<b><u>EXPENDITURES</u></b>			
Instruction	\$5,279,290	\$5,288,070	\$5,251,583
Supporting Services	2,756,265	2,788,220	2,692,984
Community Services	<u>200</u>	<u>200</u>	<u>24</u>
Total Expenditures	<u>\$8,035,755</u>	<u>\$8,076,490</u>	<u>\$7,944,591</u>

**H. Capital Asset and Debt Administration**

**1. Capital Assets**

At June 30, 2008, the District has \$14,924,490 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents a net increase of \$96,611 over the prior fiscal year. Depreciation expense for the year amounted to \$508,139 bringing the accumulated depreciation to \$5,336,028 as of June 30, 2008.

**2. Long-Term Debt**

At June 30, 2008, the District had \$1,997,521 in bonded debt outstanding. This represents a reduction of \$390,000 from the amount outstanding at the close of the prior fiscal year.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2008

**I. Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future:

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008-2009 fiscal year.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly health insurance and retirement.
- McBain Rural Agricultural Schools has contracts with two groups. The contracts with the McBain Education Association and the McBain Educational Support Personnel Association expire at the end of the 2010-2011 school year.

**J. Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, please contact McBain Rural Agricultural Schools, 107 E. Maple Street, McBain, Michigan 49657.

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 569,155
Taxes Receivable	13,485
Accounts Receivable	1,731
Interest Receivable	19,834
Inventories	1,581
Due from Other Governments	1,177,215
Prepaid Expense	12,515
Investments	3,477,393
Total Current Assets	<u>5,272,909</u>

NON CURRENT ASSETS

Capital Assets	14,924,490
Less Accumulated Depreciation	<u>(5,336,028)</u>
Total Non Current Assets	<u>9,588,462</u>
TOTAL ASSETS	<u><u>\$ 14,861,371</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 29,784
Accrued Expenses	280,480
Accrued Interest Payable	19,187
Salaries Payable	478,853
Current Portion of Non Current Liabilities	<u>390,000</u>
Total Current Liabilities	<u>1,198,304</u>

NON CURRENT LIABILITIES

Bonds Payable	1,997,521
Less Current Portion of Non Current Liabilities	<u>(390,000)</u>
Total Non Current Liabilities	<u>1,607,521</u>
Total Liabilities	<u>2,805,825</u>

NET ASSETS

Invested in Capital Assets Net of Related Debt	7,590,941
Restricted for Debt Service	222,925
Unrestricted	<u>4,241,680</u>
Total Net Assets	<u>12,055,546</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,861,371</u></u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		GOVERNMENTAL
		CHARGES FOR SERVICES	OPERATING GRANTS	ACTIVITIES
				NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>				
Instruction				
Basic Programs	\$ 4,547,943	\$ 25,346	\$ 217,043	\$ (4,305,554)
Added Needs	759,802	0	551,600	(208,202)
Supporting Services				
Pupil	162,327	0	10,726	(151,601)
Instructional Staff	130,586	0	8,496	(122,090)
General Administration	246,918	0	0	(246,918)
School Administration	418,770	0	0	(418,770)
Business	175,011	0	0	(175,011)
Operation and Maintenance of Plant	885,229	0	0	(885,229)
Pupil Transportation Services	639,794	0	0	(639,794)
Information Services	28,093	0	0	(28,093)
Food Service	324,543	134,224	196,139	5,820
Athletic Activities	295,962	27,132	0	(268,830)
School Operated Public Library	24,772	855	0	(23,917)
Community Services	24			(24)
Interest on Long Term Debt	115,686	0	0	(115,686)
Unallocated Depreciation	508,139	0	0	(508,139)
Total Governmental Activities	<u>\$ 9,263,599</u>	<u>\$ 187,557</u>	<u>\$ 984,004</u>	<u>(8,092,038)</u>
<u>GENERAL REVENUES</u>				
Property Taxes - General Purposes				1,020,469
Property Taxes - Debt Service				528,312
Investment Earnings				132,171
State Sources				6,258,724
Other				40,000
Total General Revenues				<u>7,979,676</u>
Change in Net Assets				(112,362)
<u>NET ASSETS</u> - Beginning of Year				<u>12,167,908</u>
<u>NET ASSETS</u> - End of Year				<u>\$ 12,055,546</u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2008

	GENERAL	CAPITAL	FOOD	OTHER	TOTAL
	FUND	PROJECT	SERVICE	NONMAJOR	GOVERNMENTAL
	FUND	FUND	FUND	FUNDS	FUNDS
<u>ASSETS</u>					
Cash	\$ 85,271	\$ 0	\$ 131,549	\$ 352,335	\$ 569,155
Taxes Receivable	9,518	0	0	3,967	13,485
Accounts Receivable	1,731	0	0	0	1,731
Interest Receivable	11,667	8,167	0	0	19,834
Due from Other Funds	136,473	100,000	0	4,706	241,179
Inventories	0	0	1,581	0	1,581
Due from Other Governments	1,177,215	0	0	0	1,177,215
Prepaid Expenditures	12,515	0	0	0	12,515
Investments	2,606,345	803,710	0	67,338	3,477,393
TOTAL ASSETS	\$4,040,735	\$ 911,877	\$ 133,130	\$ 428,346	\$ 5,514,088
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 22,410	\$ 3,860	\$ 3,514	\$ 0	\$ 29,784
Accrued Expenses	280,480	0	0	0	280,480
Salaries Payable	478,853	0	0	0	478,853
Due to Other Funds	104,706	0	121,685	14,788	241,179
Deferred Revenue	4,682	0	0	2,938	7,620
Total Liabilities	891,131	3,860	125,199	17,726	1,037,916
<u>FUND BALANCES</u>					
Reserved for Inventory	0	0	1,581	0	1,581
Reserved for Prepaid Expenditures	12,515	0	0	0	12,515
Reserved for Endowments	0	0	0	50,000	50,000
Reserved for Debt Service	0	0	0	239,174	239,174
Unreserved, Designated for, Reported In:					
Special Revenue Funds	0	0	6,350	121,446	127,796
Capital Project Fund	0	908,017	0	0	908,017
Unreserved, Undesignated	3,137,089	0	0	0	3,137,089
Total Fund Balances	3,149,604	908,017	7,931	410,620	4,476,172
TOTAL LIABILITIES AND FUND BALANCES	\$4,040,735	\$ 911,877	\$ 133,130	\$ 428,346	\$ 5,514,088

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

JUNE 30, 2008

Total Governmental Fund Balances		\$ 4,476,172
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		
The cost of the capital assets is	\$ 14,924,490	
Accumulated depreciation is	<u>(5,336,028)</u>	9,588,462
Long term liabilities are not due and payable in the current period and are not reported in the funds		
Bonds Payable		(1,997,521)
Balance of taxes receivable at June 30, 2008, expected to be collected after September 1, 2008		7,620
Accrued interest is not included as a liability in government funds; it is recorded when paid		<u>(19,187)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 12,055,546</u></u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2008

	GENERAL FUND	CAPITAL PROJECT FUND	FOOD SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>					
Local Sources	\$ 1,162,844	\$ 38,298	\$ 134,499	\$ 564,150	\$ 1,899,791
Intermediate Sources	0	0	0	20,876	20,876
State Sources	6,549,134	0	17,532	3,652	6,570,318
Federal Sources	316,150	0	178,607	0	494,757
Other Transactions	165,495	0	0	0	165,495
Total Revenues	8,193,623	38,298	330,638	588,678	9,151,237
<u>EXPENDITURES</u>					
Instruction					
Basic Programs	4,491,781	0	0	0	4,491,781
Added Needs	759,802	0	0	0	759,802
Supporting Services					
Pupil	162,327	0	0	0	162,327
Instructional Staff	138,152	0	0	0	138,152
General Administration	246,918	0	0	0	246,918
School Administration	418,770	0	0	0	418,770
Business	173,701	0	0	0	173,701
Operation and Maintenance of Plant	885,229	0	0	0	885,229
Pupil Transportation Services	639,794	0	0	0	639,794
Central Information Services	28,093	0	0	0	28,093
Food Service Activities	0	0	324,543	0	324,543
Athletic Activities	0	0	0	295,962	295,962
School Operated Public Library	0	0	0	24,772	24,772
Community Services	24	0	0	0	24
Capital Outlay	0	194,726	0	0	194,726
Debt Service					
Principal	0	0	0	390,000	390,000
Interest	0	0	0	115,877	115,877
Total Expenditures	7,944,591	194,726	324,543	826,611	9,290,471
Excess (Deficiency) of Revenues Over Expenditures	249,032	(156,428)	6,095	(237,933)	(139,234)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	0	0	0	274,233	274,233
Transfers Out	(274,233)	0	0	0	(274,233)
Total Other Financing Sources (Uses)	(274,233)	0	0	274,233	0
Net Change in Fund Balance	(25,201)	(156,428)	6,095	36,300	(139,234)
<u>FUND BALANCE</u> - Beginning of Year	3,174,805	1,064,445	1,836	374,320	4,615,406
<u>FUND BALANCE</u> - End of Year	\$ 3,149,604	\$ 908,017	\$ 7,931	\$ 410,620	\$ 4,476,172

The notes to the financial statements are an integral part of this statement.



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Net Change in Fund Balances Total Governmental Funds	\$ (139,234)
--	--------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(508,139)
Capital Outlay	146,130

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	19,378
Accrued Interest Payable - End of Year	(19,187)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	390,000
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds, it is recorded on the modified accrual method and not considered available:

Deferred Revenue - Beginning of Year	(8,930)
Deferred Revenue - End of Year	<u>7,620</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (112,362)</u></u>
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The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS

JUNE 30, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 52,185</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Groups and Organizations	\$ 52,185
<u>NET ASSETS</u>	<u>0</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 52,185</u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the McBain Rural Agricultural Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

McBain Rural Agricultural Schools (the "District") is located in Clare, Missaukee, Osceola and Wexford Counties with its administrative offices located in McBain, Michigan. The District is governed by the McBain Rural Agricultural Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District provides services to its 1,019 students in elementary, middle school, high school, special education instruction, guidance, health, transportation, food service, athletics and public library. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the generally accepted accounting principles. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Governmental Funds** - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital project fund* accounts for the acquisition of fixed assets or construction of major capital projects.

The *food service fund* accounts for revenue sources that are legally restricted to expenditures for food service activities.

**Other Non-major Funds**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its athletic and public library activities in the special revenue funds.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**Fiduciary funds** account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Accrual Method**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007. For fiscal year ended June 30, 2008, the per pupil foundation allowance was \$7,204 for McBain Rural Agricultural Schools.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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JUNE 30, 2008

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**D. Other Accounting Policies**

**1. Cash and Investments**

Cash includes amounts in demand deposits.

Investments are carried at market value.

The District complies with State statutes regarding investment of funds.

The Board policy on investment of funds authorizes the School District to invest as follows:

- (a) Bonds, bills, or notes of the United States, or obligations, the principal and interest of which are fully guaranteed by the United States Government.
- (b) Certificates of deposit issued by any state or national bank organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States.

The School's deposits and investments are held separately by several of the School District's funds.

**2. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables".

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. Property taxes are assessed as of January 1 and are billed and due December 1. Unpaid taxes become delinquent as of February 14th and are subject to penalties and interest after that date. Uncollected taxes at year-end are not material.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of taxable valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0000
Debt Service Fund - Homestead and non-homestead	3.0000

4. Inventories and Prepaid Expenditures

Inventories are valued at cost. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5-15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

6. Compensated Absences

Noncurrent accumulated unpaid compensated absences are not accrued in governmental funds (using the modified accrual basis of accounting). The District did not have any accumulated unpaid sick pay liability at June 30, 2008 or 2007.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District has opted to apply the provisions of GASB 34 paragraph 146 which allows the amortization of premiums, discounts and bond issuance costs to be applied prospectively for all bonds issued after July 1, 2003.

8. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Reservations of fund balance are for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING**

- A. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue, and debt funds.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.



MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financial sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations if any are noted in the required supplementary information section.
4. The superintendent is charged with general supervision of the budgets and shall hold the budgets and shall hold the department heads responsible for performance of their responsibilities.
5. During the year, the budgets are monitored and amendments to the budget resolution are made when it is deemed necessary.
6. Budgeted amounts are as originally adopted on June 14, 2007, or as amended by the School Board of Education on February 14 and June 12, 2008.

**B. Excess of Expenditures Over Appropriations**

Excess of expenditures over appropriations occurred in the following funds:

School Service Fund – Food Service expenditures of \$324,543 exceeded appropriations of \$299,145 by \$25,398. Capital Project Fund – Capital Outlay expenditures of \$194,726 exceeded appropriations of \$60,000 by \$134,726. These over expenditures were funded by available fund balance.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments - Credit Risk**

The District's deposits and investments are on deposit with Chemical Bank and Michigan School District Liquid Asset Fund Plus.

*Investment rate risk.* The District will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the District's cash requirement.

*Foreign currency risk.* The District is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The District will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

*Concentration of credit risk.* The District will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2008, \$473,235 of the government's bank balance of \$675,710 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered, or securities held by the District or the District's agent in the District's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the District's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the District's name. At year end, all of the District's investments were uncategorized as to risk.

At year-end, the only investments were investment trust funds.

Investments not subject to categorization:

Investment Trust Funds	\$ <u>3,477,393</u>
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The District invests certain excess funds in the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports that as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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Balance sheet classifications:

	Deposits	Investments	Fiduciary Assets	Total
Cash	\$ 569,155	\$ 0	\$ 52,185	\$ 621,340
Investments	0	3,477,393	0	3,477,393
	<u>\$ 569,155</u>	<u>\$ 3,477,393</u>	<u>\$ 52,185</u>	<u>\$ 4,098,733</u>

**B. Receivables**

Receivables as of year end for the government's individual major funds and non-major, and fiduciary funds in the aggregate; including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Project	Food Service Fund	Nonmajor and Other Funds	Total
Receivables					
Taxes	\$ 9,518	\$ 0	\$ 0	\$ 3,967	\$ 13,485
Accounts	1,731	0	0	0	1,731
Interest	11,667	8,167	0	0	19,834
Due from Other Governments	1,177,215	0	0	0	1,177,215
Total Receivables	<u>\$ 1,200,131</u>	<u>\$ 8,167</u>	<u>\$ 0</u>	<u>\$ 3,967</u>	<u>\$ 1,212,265</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable (General Fund)	\$ 4,682	\$ 0
Delinquent Property Taxes Receivable (Debt Service Fund)	2,938	0
Grants Receipts Received, But Not Yet Utilized	<u>0</u>	<u>0</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 7,620</u>	<u>\$ 0</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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**C. Capital Assets**

A summary of changes in the District's capital assets follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 326,376	\$ 0	\$ 0	\$ 326,376
Capital assets being depreciated				
Land improvements	172,666	0	0	172,666
Buildings and additions	10,410,032	0	0	10,410,032
Machinery and equipment	2,964,742	70,622	49,519	2,985,845
Transportation equipment	954,063	75,508	0	1,029,571
Subtotal	14,501,503	146,130	49,519	14,598,114
Less accumulated depreciation for:				
Land improvements	35,493	15,783	0	51,276
Buildings and additions	2,679,109	195,433	0	2,874,542
Machinery and equipment	1,683,840	209,088	49,519	1,843,409
Transportation equipment	478,966	87,835	0	566,801
Accumulated depreciation	4,877,408	508,139	49,519	5,336,028
Net capital assets being depreciated	9,624,095	(362,009)	0	9,262,086
Net Capital assets	\$ 9,950,471	\$(362,009)	\$ 0	\$ 9,588,462

Depreciation for the fiscal year ended June 30, 2008 amounted to \$508,139. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**D. Long-Term Debt**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

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The following is a summary of the long-term debt transactions for the School District for the year ended June 30, 2008:

	<u>GENERAL OBLIGATION BONDS</u>		
	<u>1997</u>	<u>1998</u>	<u>TOTAL</u>
Long-Term Debt			
at June 30, 2007	\$ 2,340,000	\$ 47,521	\$2,387,521
Bonds Retired	<u>(390,000)</u>	<u>0</u>	<u>(390,000)</u>
LONG-TERM			
AT JUNE 30, 2008	<u>\$ 1,950,000</u>	<u>\$ 47,521</u>	<u>\$1,997,521</u>

At June 30, 2008, the School's General Long-Term Debt consisted of the following:

GENERAL OBLIGATION SERIAL BONDS - 1997

McBain Rural Agricultural Schools Building and Site Bonds, Dated November 1, 1997, are Due in Annual Installments of \$390,000 through May 1, 2013, Interest is Paid Semi-Annually and is Computed at Rates Varying from 4.65% to 5.00% Per Annum \$ 1,950,000

SELF-LIQUIDATING BONDS - 1998 (DURANT)

1998 School Improvement Bond Due in Annual Installments of \$5,223 to \$35,096, through May 15, 2013 47,521

\$ 1,997,521

The annual requirements to amortize all debt outstanding as of June 30, 2008, including interest of \$300,388 are as follows:

<u>YEAR ENDING</u> <u>JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 418,896	\$ 102,726	\$ 521,622
2010	394,337	78,692	473,029
2011	394,543	59,377	453,920
2012	394,759	39,660	434,419
2013	<u>394,986</u>	<u>19,933</u>	<u>414,919</u>
	<u>\$ 1,997,521</u>	<u>\$ 300,388</u>	<u>\$2,297,909</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
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**E. Interfund Receivables, Payables, and Transfers**

Interfund Receivables and Payables as shown in the individual fund financial statements at June 30, 2008, were:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 136,473	\$ 104,706
School Service Fund - Food Service	0	121,685
School Service Fund - Public Library Fund	0	14,788
Debt Retirement Fund - 1997 Debt Fund	4,706	0
Capital Project Fund	100,000	0
	<u>\$ 241,179</u>	<u>\$ 241,179</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers are as shown in the individual fund financial statements at June 30, 2007, were:

	<u>TRANSFERS IN</u>	<u>TRANSFERS OUT</u>
General Fund	\$ 0	\$ 274,233
School Service Fund - Athletic Activities	274,233	0
	<u>\$ 274,233</u>	<u>\$ 274,233</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the School must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies.

**F. Leases**

The rental expense for the year ended June 30, 2008, totaled \$7,448.

The rental expense consists of lease agreements on copiers and uniforms. The future minimum lease payments for these leases are as follows:

June 30, 2009	\$ 1,805
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MCBAIN RURAL AGRICULTURAL SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 - OTHER INFORMATION**

**A. Employee Retirement System**

Plan Description. The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the nine member board of MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (517) 322-5103.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% of payroll through September 30, 2007, and 16.72% effective October 1, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007 and 2006 were \$784,317, \$814,627 and \$731,237 respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

Other Post Employment Benefits Funding Policy

Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**B. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2008 or any of the prior three years.

The District maintains a self-insurance program to provide dental, vision and prescription benefits to its employees and their families. The program is administered by an independent company, which furnishes claims review and processing. The dental benefit is limited to \$1,000 for each eligible individual. The vision benefit is limited by maximum payments by type and frequency of service. The prescription program requires employees to pay a \$2 co pay and the District pays the remaining \$18. The District also maintains a HRA program for non-union employees with a maximum health benefit of \$2,500.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Changes in balances of claims liabilities are as follows:

	<u>VISION</u>	<u>RX</u>	<u>HEALTH</u>	<u>DENTAL</u>
Claims Liability Beginning of Year	\$ 2,183	\$ 1,100	\$ 4,160	\$ 8,038
Claims Incurred During the Year	23,903	43,135	45,000	80,724
Payment of Claims During the Year	<u>(24,346)</u>	<u>(42,254)</u>	<u>(43,087)</u>	<u>(83,218)</u>
Claims Liability End of Year	<u>\$ 1,740</u>	<u>\$ 1,981</u>	<u>\$ 6,073</u>	<u>\$ 5,544</u>



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**C. Sale of Future Revenues**

For several years, the District has sold its rights to delinquent real property tax revenues and related late payment penalties to the Clare, Missaukee, Osceola and Wexford County treasurers. For the 2007 tax roll the District received a lump sum payment of \$74,782 for general operating tax revenues and \$39,922 for debt service tax revenues. These amounts represent the present value of the delinquent real property tax revenues. In exchange for these payments, the counties are allowed to keep the delinquent taxes collected plus the late payment penalties charged. If the counties are ultimately unable to collect any of these delinquent taxes, the District will have to repay the counties.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2008

	<u>GENERAL FUND</u>			<u>CAPITAL PROJECT FUND</u>			<u>FOOD SERVICE FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Local Sources	\$ 1,188,855	\$ 1,212,355	\$ 1,162,844	\$ 0	\$ 0	\$ 38,298	\$ 118,135	\$ 131,700	\$ 134,499
State Sources	6,616,005	6,506,935	6,549,134	0	0	0	15,500	15,500	17,532
Federal Sources	361,480	322,185	316,150	0	0	0	141,000	151,945	178,607
Other Transactions	214,600	186,000	165,495	6,500	6,500	0	0	0	0
Total Revenues	8,380,940	8,227,475	8,193,623	6,500	6,500	38,298	274,635	299,145	330,638
<u>EXPENDITURES</u>									
Instruction									
Basic Programs	4,519,920	4,515,055	4,491,781	0	0	0	0	0	0
Added Needs	759,370	773,015	759,802	0	0	0	0	0	0
Supporting Services									
Pupil	160,535	163,040	162,327	0	0	0	0	0	0
Instructional Staff	125,715	138,460	138,152	0	0	0	0	0	0
General Administration	256,920	250,690	246,918	0	0	0	0	0	0
School Administration	449,495	418,900	418,770	0	0	0	0	0	0
Business	220,420	220,270	173,701	0	0	0	0	0	0
Operation and Maintenance of Plant	898,565	895,165	885,229	0	0	0	0	0	0
Pupil Transportation Services	615,690	672,605	639,794	0	0	0	0	0	0
Central Information Services	28,925	29,090	28,093	0	0	0	0	0	0
Community Services	200	200	24	0	0	0	0	0	0
Food Service Activities	0	0	0	0	0	0	274,635	299,145	324,543
Capital Outlay	0	0	0	60,000	60,000	194,726	0	0	0
Total Expenditures	8,035,755	8,076,490	7,944,591	60,000	60,000	194,726	274,635	299,145	324,543
Excess (Deficiency) of Revenues Over Expenditures	345,185	150,985	249,032	(53,500)	(53,500)	(156,428)	0	0	6,095
<u>OTHER FINANCING SOURCES (USES)</u>									
Operating Transfers In (Out)	(283,565)	(281,485)	(274,233)	53,000	53,000	0	0	0	0
Net Change in Fund Balance	61,620	(130,500)	(25,201)	(500)	(500)	(156,428)	0	0	6,095
<u>FUND BALANCE</u> - Beginning of Year	3,220,044	3,174,805	3,174,805	1,064,445	1,064,445	1,064,445	3,013	1,836	1,836
<u>FUND BALANCE</u> - End of Year	\$ 3,281,664	\$ 3,044,305	\$ 3,149,604	\$ 1,063,945	\$ 1,063,945	\$ 908,017	\$ 3,013	\$ 1,836	\$ 7,931

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUND TYPES

JUNE 30, 2008

	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash	\$ 40,551	\$ 78,345	\$ 233,439	\$ 352,335
Taxes Receivable	0	0	3,967	3,967
Due from Other Funds	0	0	4,706	4,706
Investments	0	67,338	0	67,338
TOTAL ASSETS	<u>\$ 40,551</u>	<u>\$ 145,683</u>	<u>\$ 242,112</u>	<u>\$ 428,346</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 14,788	\$ 0	\$ 14,788
Deferred Revenue	0	0	2,938	2,938
Total Liabilities	<u>0</u>	<u>14,788</u>	<u>2,938</u>	<u>17,726</u>
<u>FUND BALANCE</u>				
Reserved	0	50,000	239,174	289,174
Unreserved Designated	<u>40,551</u>	<u>80,895</u>	<u>0</u>	<u>121,446</u>
Total Fund Balances	<u>40,551</u>	<u>130,895</u>	<u>239,174</u>	<u>410,620</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 40,551</u>	<u>\$ 145,683</u>	<u>\$ 242,112</u>	<u>\$ 428,346</u>

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUND TYPES

YEAR ENDED JUNE 30, 2008

	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND	DEBT RETIREMENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Sources	\$ 27,192	\$ 3,977	\$ 532,981	\$ 564,150
Intermediate Sources	0	20,876	0	20,876
State Sources	0	3,652	0	3,652
Total Revenues	27,192	28,505	532,981	588,678
<u>EXPENDITURES</u>				
Athletic Activities	295,962	0	0	295,962
School Operated Public Library	0	24,772	0	24,772
Debt Service				
Principal	0	0	390,000	390,000
Interest and Other	0	0	115,877	115,877
Total Expenditures	295,962	24,772	505,877	826,611
Excess (Deficiency) of Revenues Over Expenditures	(268,770)	3,733	27,104	(237,933)
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	274,233	0	0	274,233
Net Change in Fund Balance	5,463	3,733	27,104	36,300
<u>FUND BALANCE - Beginning of Year</u>	35,088	127,162	212,070	374,320
<u>FUND BALANCE - End of Year</u>	\$ 40,551	\$ 130,895	\$ 239,174	\$ 410,620

The notes to the financial statements are an integral part of this statement.

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 85,271	\$ 199,890
Taxes Receivable	9,518	6,163
Accounts Receivable	1,731	5,284
Interest Receivable	11,667	1,601
Due from Other Funds	136,473	145,592
Due from Other Governmental Units	1,177,215	1,148,616
Prepaid Expenditures	12,515	78,248
Investments	2,606,345	2,426,722
 TOTAL ASSETS	 \$ 4,040,735	 \$ 4,012,116
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 22,378	\$ 24,662
Due to Other Funds	104,706	104,869
Payroll Deductions and Withholdings	32	126
Accrued Expenses	280,480	245,981
Salaries Payable	478,853	443,990
Deferred Revenue	4,682	17,683
 Total Liabilities	 891,131	 837,311
 <u>FUND BALANCE</u>		
Reserved		
Prepaid Expenditures	12,515	78,248
Unreserved		
Undesignated	3,137,089	3,096,557
 Total Fund Balance	 3,149,604	 3,174,805
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 4,040,735	 \$ 4,012,116

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources	\$ 1,162,844	\$ 1,128,290
State Sources	6,549,134	6,600,616
Federal Sources	316,150	341,452
Other Transactions	165,495	201,840
Total Revenues	<u>8,193,623</u>	<u>8,272,198</u>
<u>EXPENDITURES</u>		
Instruction		
Basic Programs		
Elementary	2,074,163	2,040,634
Middle School	1,011,064	915,286
High School	1,310,207	1,270,324
Pre-School	96,347	94,084
Added Needs		
Special Education	532,329	526,245
Compensatory Education	227,473	225,693
Supporting Services		
Pupil		
Guidance Services	66,458	82,968
Health Services	669	1,189
Social Work Services	90,997	85,339
Other Pupil Services	4,203	3,601
Instructional Staff		
Improvement of Instruction	18,423	18,854
Library	63,828	61,588
Educational Television	38,658	20,611
Computer Assisted Instruction	17,243	10,200
General Administration		
Board of Education	39,606	45,801
Executive Administration	207,312	212,741

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
School Administration		
Office of the Principal		
Elementary	142,401	171,879
Middle School	140,491	155,250
High School	135,878	125,679
Business		
Fiscal Services	77,553	69,224
Other Business Services	96,148	132,383
Operation and Maintenance of Plant	885,229	895,325
Pupil Transportation Services	639,794	587,906
Central Information Services	28,093	27,449
Community Services		
Civic Activities	24	44
Total Expenditures	<u>7,944,591</u>	<u>7,780,297</u>
Excess (Deficiency) of Revenues Over Expenditures	249,032	491,901
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers (Out)	<u>(274,233)</u>	<u>(479,720)</u>
Net Change in Fund Balance	(25,201)	12,181
<u>FUND BALANCE</u> - Beginning of Year	<u>3,174,805</u>	<u>3,162,624</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 3,149,604</u>	<u>\$ 3,174,805</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	2008	2007
<u>LOCAL SOURCES</u>		
Property Tax Levy	\$ 1,020,469	\$ 975,847
Tuition and Drivers Education Fees	20,546	26,860
Earnings on Investments and Deposits	85,947	100,786
Other Local Revenues		
Rentals	4,800	1,118
Oil and Gas Rent and Royalties	7,732	5,821
Miscellaneous	23,350	17,858
Total Local Sources	1,162,844	1,128,290
<u>STATE SOURCES</u>		
Grants-In-Aid		
Received through the State		
State School Aid	6,549,134	6,600,616
<u>FEDERAL SOURCES</u>		
Grant-In-Aid Restricted		
Received through the State		
Title I	231,728	228,538
Title II Part A	68,726	68,942
Title II Part D	2,178	2,346
Title V	2,239	3,017
Drug Free Schools	6,257	6,548
Family Independence Agency	0	22,405
Service Provider Self Review	0	4,000
Received through Other Districts		
Medicaid Outreach	5,022	5,656
Total Federal Sources	316,150	341,452



MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF REVENUES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>OTHER TRANSACTIONS</u>		
Transfers from Other Governmental Units		
Wexford-Missaukee Intermediate School District		
Medicaid Caseload Coordination	5,704	12,641
Special Education	130,367	82,639
Interpreters	20,706	32,532
Curriculum	0	59,600
Leader Program	0	1,968
Preschool Transportation	8,718	8,160
Sale of Fixed Assets	0	4,300
Total Other Transactions	<u>165,495</u>	<u>201,840</u>
TOTAL REVENUES	<u>\$ 8,193,623</u>	<u>\$ 8,272,198</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
<u>INSTRUCTION</u>		
<u>Basic Programs</u>		
<u>Elementary</u>		
Salaries		
Teachers	\$ 1,246,220	\$ 1,222,782
Aides	94,357	83,303
Substitute Teachers	27,053	33,499
Substitute Aides	3,706	4,095
Employee Benefits		
Life and Long-Term Disability Insurance	4,391	5,093
Health Insurance	294,204	263,602
Dental Insurance	20,451	22,969
Vision Insurance	6,658	6,025
Retirement	228,297	232,724
Employer Social Security	103,580	102,003
Worker's Compensation	1,736	1,386
Purchased Service		
Contracted Services	699	388
Travel and Conferences	0	9
Printing and Binding	282	0
Repair of Equipment	1,710	1,494
Supplies and Materials		
Teaching Supplies	26,277	46,007
Textbooks	12,964	6,683
Other Supplies and Materials	1,354	4,687
Capital Outlay		
Equipment and Furniture	0	3,108
Other Expense		
Miscellaneous	224	777
Total Elementary	2,074,163	2,040,634
<u>Middle School</u>		
Salaries		
Teachers	649,768	594,993
Substitute Teachers	18,547	19,466

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
Employee Benefits		
Life and Long-Term Disability Insurance	2,334	2,576
Health Insurance	140,871	109,534
Dental Insurance	7,699	5,606
Vision Insurance	2,631	1,184
Retirement	110,174	106,563
Employer Social Security	50,634	46,566
Worker's Compensation	845	1,849
Unemployment	42	0
Purchased Services		
Contracted Services	1,240	1,228
Travel and Conferences	140	0
Printing and Binding	1,967	2,159
Repair of Equipment	557	1,021
Supplies and Materials		
Teaching Supplies	12,510	12,831
Textbooks	8,892	7,678
Other Supplies and Materials	1,213	951
Other Expense		
Dues and Fees	904	1,081
Miscellaneous	96	0
Total Middle School	1,011,064	915,286
<u>High School</u>		
Salaries		
Teachers	796,274	732,920
Aides	15,421	14,727
Substitute Teachers	14,118	18,481
Substitute Aides	845	1,434
Employee Benefits		
Life and Long-Term Disability Insurance	2,697	2,774
Health Insurance	173,290	151,264
Dental Insurance	10,891	10,340
Vision Insurance	3,460	1,962
Retirement	137,631	132,303
Employer Social Security	62,586	58,152

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
Worker's Compensation	1,046	624
Unemployment	1,845	0
Purchased Services		
Contracted Services	2,539	70,344
College Tuition	19,124	15,475
Travel and Conferences	1,020	1,173
Printing and Binding	1,832	2,061
Repair of Equipment	4,202	1,890
Supplies and Materials		
Teaching Supplies	46,070	37,013
Textbooks	5,477	6,636
Other Supplies and Materials	3,991	4,525
Other Expense		
Dues and Fees	5,792	6,063
Miscellaneous	56	163
Total High School	1,310,207	1,270,324
<u>Pre-School</u>		
Salaries		
Teachers	53,446	52,774
Aides	16,095	14,707
Substitute Teachers	0	11
Employee Benefits		
Life and Long-Term Disability Insurance	237	336
Health Insurance	5,327	4,733
Dental Insurance	1,038	1,103
Vision Insurance	182	247
Retirement	11,713	11,847
Employer Social Security	5,239	5,088
Worker's Compensation	89	55
Purchased Services		
Travel and Conferences	389	1,111
Repair of Equipment	0	9
Supplies and Materials		
Teaching Supplies	2,592	1,828
Other Expense		
Dues and Fees	0	235
Total Pre-School	96,347	94,084

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Added Needs</u>		
<u>Special Education</u>		
Salaries		
Teachers	271,396	236,421
Aides	75,124	103,273
Substitute Teachers	7,337	19,544
Substitute Aides	8,753	2,904
Employee Benefits		
Life and Long-Term Disability Insurance	1,324	1,513
Health Insurance	65,326	56,572
Dental Insurance	6,714	4,637
Vision Insurance	2,146	2,677
Retirement	60,255	61,657
Employer Social Security	27,416	26,799
Worker's Compensation	455	294
Purchased Services		
Contracted Services	3,240	6,375
Travel and Conferences	0	79
Supplies and Materials		
Teaching Supplies	2,556	3,394
Textbooks	279	0
Other Expense		
Miscellaneous	8	106
Total Special Education	<u>532,329</u>	<u>526,245</u>
 <u>Compensatory Education</u>		
Salaries		
Teachers	112,646	108,586
Aides	19,638	28,363
Substitute Teachers	2,347	3,519
Employee Benefits		
Life and Long-Term Disability Insurance	501	593
Health Insurance	49,138	40,175
Dental Insurance	3,176	2,950
Vision Insurance	979	778
Retirement	22,680	20,492
Employer Social Security	9,900	10,421

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
Worker's Compensation	172	115
Supplies and Materials		
Teaching Supplies	6,296	9,701
Total Compensatory Education	227,473	225,693

SUPPORTING SERVICES

Pupil Services

Guidance Services

Salaries		
Counseling	37,486	61,890
Employee Benefits		
Life and Long-Term Disability Insurance	197	165
Health Insurance	16,863	3,789
Dental Insurance	895	866
Vision Insurance	216	15
Retirement	6,313	10,851
Employer Social Security	2,822	4,683
Worker's Compensation	48	51
Purchased Services		
Travel and Conferences	744	276
Supplies and Materials		
Teaching Supplies	874	382
Total Guidance Services	66,458	82,968

Health Services

Purchased Services		
Contracted Services	100	510
Supplies and Materials	569	679
Total Health Services	669	1,189

Social Work Services

Salaries		
Social Work	51,865	50,600
Employee Benefits		
Life and Long-Term Disability Insurance	325	396
Health Insurance	21,142	17,789
Dental Insurance	4,002	2,195
Vision Insurance	36	340

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
Retirement	8,814	8,786
Employer Social Security	3,857	3,767
Worker's Compensation	66	42
Purchased Services		
Travel and Conferences	580	943
Supplies and Materials		
Teaching Supplies	310	481
Total Social Work Services	90,997	85,339
<u>Other Pupil Services</u>		
Salaries		
Class Sponsors and Advisors	1,683	1,350
Employee Benefits		
Retirement	281	240
Employer Social Security	127	102
Worker's Compensation	2	0
Purchased Services		
Graduation	2,110	1,909
Total Other Pupil Services	4,203	3,601
<u>Instructional Staff</u>		
<u>Improvement of Instruction</u>		
Purchased Services		
Continuing Education	6,294	6,744
Travel and Conferences	969	0
Supplies and Materials		
Other Supplies and Materials	10,741	12,110
Other Expense		
Dues and Fees	419	0
Total Improvement of Instruction	18,423	18,854
<u>Library</u>		
Salaries		
Librarians	26,742	15,771
Aides	8,522	9,628
Employee Benefits		
Life and Long-Term Disability Insurance	160	198
Dental Insurance	30	252
Vision Insurance	199	18

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
Retirement	5,476	4,138
Employer Social Security	2,698	1,943
Worker's Compensation	42	20
Purchased Services		
Professional and Technical	2,837	760
Travel and Conferences	102	143
Postage	200	100
Repair of Equipment	675	1,793
Supplies and Materials		
Library Books	7,566	17,681
Periodicals	1,828	1,635
Other Supplies and Materials	4,803	4,134
Capital Outlay		
Equipment and Furniture	1,814	3,321
Other Expense		
Dues and Fees	125	0
Miscellaneous	9	53
Total Library	63,828	61,588
<u>Educational Television</u>		
Salaries		
Director	10,545	10,616
Substitute Director	0	89
Employee Benefits		
Life and Long-Term Disability Insurance	72	138
Dental Insurance	514	1,209
Vision Insurance	140	159
Retirement	1,533	1,632
Employer Social Security	807	819
Worker's Compensation	10	7
Supplies and Materials		
Teaching Supplies	150	251
Other Expense		
Dues and Fees	24,887	5,691
Total Educational Television	38,658	20,611



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Computer Assisted Instruction</u>		
Purchased Services		
Contracted Services	13,499	3,866
Travel and Conferences	0	146
Repair of Equipment	0	404
Supplies and Materials		
Other Supplies and Materials	3,744	5,784
Total Computer Assisted Instruction	<u>17,243</u>	<u>10,200</u>
 <u>General Administrative Services</u>		
<u>Board of Education</u>		
Salaries		
Board Members	3,150	3,150
Purchased Services		
Contracted Services	4,412	13,331
Legal, Audit and Professional Services	14,691	12,193
Travel and Conferences	741	792
Advertising	0	282
Printing and Binding	2,970	3,546
Elections	1,497	1,908
Supplies and Materials		
Office Supplies	1,226	725
Other Expense		
Dues and Fees	8,424	8,209
Miscellaneous	2,495	1,665
Total Board of Education	<u>39,606</u>	<u>45,801</u>
 <u>Executive Administration</u>		
Salaries		
Superintendent	98,527	114,800
Secretarial	40,312	38,685
Employee Benefits		
Life and Long-Term Disability Insurance	556	473
Health Insurance	22,516	17,273
Dental Insurance	2,335	1,952
Vision Insurance	713	448
Retirement	23,330	24,131
Employer Social Security	10,512	10,277

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	2008	2007
Worker's Compensation	244	151
Purchased Services		
Travel and Conferences	673	1,257
Communications	1,913	1,401
Repair of Equipment	463	148
Supplies and Materials		
Office Supplies	2,013	1,247
Capital Outlay		
Equipment and Furniture	2,768	0
Other Expense		
Dues and Fees	364	40
Miscellaneous	73	458
Total Executive Administration	207,312	212,741

School Administrative Services

Office of the Principal - Elementary

Salaries		
School Direction and Management	0	80,654
Secretarial	35,252	35,666
Employee Benefits		
Life and Long-Term Disability Insurance	128	473
Health Insurance	9,742	15,342
Dental Insurance	941	2,566
Vision Insurance	505	546
Retirement	5,938	20,193
Employer Social Security	2,568	8,674
Worker's Compensation	104	128
Purchased Services		
Contracted Services	80,244	0
Travel and Conferences	595	1,025
Communications	2,888	2,087
Repair of Equipment	471	161
Supplies and Materials		
Office Supplies	2,105	3,821
Other Expense		
Dues and Fees	535	535
Miscellaneous	385	8
Total Office of the Principal - Elementary	142,401	171,879

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Office of the Principal - Middle School</u>		
Salaries		
School Direction and Management	35,436	80,574
Secretarial	23,480	23,237
Substitute Secretary	54	271
Employee Benefits		
Life and Long-Term Disability Insurance	299	473
Health Insurance	15,692	15,645
Dental Insurance	1,059	2,044
Vision Insurance	236	409
Retirement	10,106	17,893
Employer Social Security	4,325	7,793
Worker's Compensation	114	106
Purchased Services		
Contracted Services	44,818	0
Travel and Conferences	585	531
Communication	2,149	1,507
Supplies and Materials		
Office Supplies	1,373	1,437
Capital Outlay		
Equipment and Furniture	0	2,795
Other Expense		
Dues and Fees	469	535
Miscellaneous	296	0
Total Office of the Principal - Middle School	<u>140,491</u>	<u>155,250</u>

Office of the Principal - High School

Salaries		
School Direction and Management	80,374	0
Secretary	24,946	24,089
Employee Benefits		
Life and Long-Term Disability Insurance	130	198
Health Insurance	9,742	7,643
Dental Insurance	1,929	924
Vision Insurance	597	333
Retirement	4,201	4,219
Employer Social Security	7,928	1,733

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

GENERAL FUND

COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
Worker's Compensation	176	43
Purchased Services		
Contracted Services	0	79,716
Travel and Conferences	448	275
Communication	3,399	2,096
Repair of Equipment	90	73
Supplies and Materials		
Office Supplies	1,402	1,240
Capital Outlay		
Equipment and Furniture	0	2,595
Other Expense		
Dues and Fees	340	406
Miscellaneous	176	96
Total Office of the Principal - High School	<u>135,878</u>	<u>125,679</u>

Business Services

Fiscal Services

Salaries		
Accounting	48,491	46,638
Employee Benefits		
Life and Long-Term Disability Insurance	186	198
Health Insurance	9,064	7,699
Dental Insurance	184	1,030
Vision Insurance	274	274
Retirement	8,241	8,098
Employer Social Security	3,710	3,568
Worker's Compensation	143	83
Purchased Services		
Data Processing	6,459	810
Supplies and Materials		
Office Supplies	801	826
Total Fiscal Services	<u>77,553</u>	<u>69,224</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Other Business Services</u>		
Employee Benefits		
Other Employee Benefits	89,632	128,368
Purchased Services		
Insurance and Bond Premiums	5,011	4,015
Other Expense		
Taxes Abated and Written-Off	1,505	0
Total Other Business Services	<u>96,148</u>	<u>132,383</u>
 <u>Operation and Maintenance of Plant</u>		
Salaries		
Custodians	312,038	307,849
Employee Benefits		
Life and Long-Term Disability Insurance	1,279	1,663
Health Insurance	93,861	83,074
Dental Insurance	5,559	3,904
Vision Insurance	2,100	1,696
Retirement	52,988	52,352
Employer Social Security	23,819	23,500
Worker's Compensation	6,797	3,841
Purchased Services		
Insurance and Bond Premiums	29,442	30,529
Travel and Conferences	193	131
Communication - Telephone	25,495	20,570
Utility Services		
Electricity	88,410	108,423
Heating Fuel	99,591	101,183
Water and Disposal	14,959	16,218
Repair and Maintenance Services		
Building and Grounds	9,725	13,209
Parking/Athletic Complex	3,391	5,479
Equipment	32,082	31,102
Other Purchased Services	0	475
Rentals - Uniforms	2,837	3,595

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
Supplies and Materials		
Custodial Supplies	32,745	40,162
Repair Supplies for Equipment	13,067	11,721
Repair Supplies for Land and Buildings	33,293	31,115
Capital Outlay		
Equipment and Furniture	957	2,550
Other Expense		
Miscellaneous	601	984
Total Operation and Maintenance of Plant	<u>885,229</u>	<u>895,325</u>
<u>Pupil Transportation Services</u>		
Salaries	240,667	245,376
Employee Benefits		
Life and Long-Term Disability Insurance	1,090	2,261
Health Insurance	140,323	122,060
Dental Insurance	12,910	12,882
Vision Insurance	3,760	3,037
Retirement	39,725	42,071
Employer Social Security	14,451	15,872
Worker's Compensation	3,842	2,590
Purchased Services		
Travel and Conferences	203	201
Pupil Transportation	23	1,623
Communication	1,583	1,229
Insurance	13,955	14,629
Repairs and Maintenance	1,003	2,711
Rentals - Uniforms	594	499
Supplies and Materials		
Gasoline, Oil and Grease	101,105	68,443
Tires, Tubes and Batteries	3,875	4,341
Vehicle Repair Parts	52,130	34,655
Garage Supplies	4,866	8,472
Other Expense		
Miscellaneous	3,689	4,954
Total Pupil Transportation Services	<u>639,794</u>	<u>587,906</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

GENERAL FUND  
COMPARATIVE ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>Central Information Services</u>		
Purchased Services		
Mailing and Postage	165	925
Rental	4,017	3,655
Equipment Maintenance	5,216	6,796
Supplies and Materials		
Copier Supplies	15,530	13,904
Capital Outlay		
Equipment	3,165	2,169
Total Central Information Services	<u>28,093</u>	<u>27,449</u>
 <u>COMMUNITY SERVICES</u>		
<u>Civic Activities</u>		
Supplies and Materials	<u>24</u>	<u>44</u>
 Total Expenditures	<u>7,944,591</u>	<u>7,780,297</u>
 <u>OTHER FINANCING USES</u>		
Transfers Out		
School Service Fund - Athletic Activities	274,233	279,720
Capital Project Fund	<u>0</u>	<u>200,000</u>
 Total Other Financing Uses	<u>274,233</u>	<u>479,720</u>
 TOTAL EXPENDITURES AND OTHER FINANCING USES	<u><u>\$ 8,218,824</u></u>	<u><u>\$ 8,260,017</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND
<u>ASSETS</u>			
Cash	\$ 131,549	\$ 40,551	\$ 78,345
Inventory	1,581	0	0
Investments	0	0	67,338
TOTAL ASSETS	<u>\$ 133,130</u>	<u>\$ 40,551</u>	<u>\$ 145,683</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 3,514	\$ 0	\$ 0
Due to Other Funds	121,685	0	14,788
Total Liabilities	<u>125,199</u>	<u>0</u>	<u>14,788</u>
<u>FUND BALANCE</u>			
Reserved			
Inventory	1,581	0	0
Endowments	0	0	50,000
Unreserved			
Designated for:			
Food Service	6,350	0	0
Athletic Activities	0	40,551	0
School Operated Public Library	0	0	80,895
Total Fund Balance	<u>7,931</u>	<u>40,551</u>	<u>130,895</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 133,130</u>	<u>\$ 40,551</u>	<u>\$ 145,683</u>



# TOTALS

2008	2007
\$ 250,445	\$ 242,669
1,581	3,367
67,338	64,659
\$ 319,364	\$ 310,695

\$ 3,514	\$ 1,017
136,473	145,592
139,987	146,609

1,581	1,836
50,000	50,000

6,350	0
40,551	35,088
80,895	77,162
179,377	164,086
\$ 319,364	\$ 310,695

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

	FOOD SERVICE FUND	ATHLETIC ACTIVITIES FUND	SCHOOL OPERATED PUBLIC LIBRARY FUND
<u>REVENUES</u>			
Local Sources	\$ 134,499	\$ 27,192	\$ 3,977
Intermediate Sources	0	0	20,876
State Sources	17,532	0	3,652
Federal Sources	178,607	0	0
Total Revenues	330,638	27,192	28,505
<u>EXPENDITURES</u>			
Food Services	324,543	0	0
Athletic Activities	0	295,962	0
School Operated Public Library	0	0	24,772
Total Expenditures	324,543	295,962	24,772
Excess (Deficiency) of Revenues Over Expenditures	6,095	(268,770)	3,733
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	274,233	0
Net Change in Fund Balance	6,095	5,463	3,733
<u>FUND BALANCE</u> - Beginning of Year	1,836	35,088	127,162
<u>FUND BALANCE</u> - End of Year	\$ 7,931	\$ 40,551	\$ 130,895

TOTALS			
2008		2007	
\$	165,668	\$	159,713
	20,876		24,305
	21,184		18,616
	178,607		161,260
	386,335		363,894
	324,543		299,191
	295,962		296,332
	24,772		26,804
	645,277		622,327
	(258,942)		(258,433)
	274,233		279,720
	15,291		21,287
	164,086		142,799
\$	179,377	\$	164,086

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND

COMPARATIVE BALANCE SHEET  
JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 131,549	\$ 123,275
Inventory	1,581	3,367
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 133,130</u>	<u>\$ 126,642</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,514	\$ 0
Due to Other Funds	121,685	124,806
	<hr/>	<hr/>
Total Liabilities	<u>125,199</u>	<u>124,806</u>
<u>FUND BALANCE</u>		
Reserved for Inventory	1,581	1,836
Unreserved		
Designated for Food Service	6,350	0
	<hr/>	<hr/>
Total Fund Balance	<u>7,931</u>	<u>1,836</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 133,130</u></u>	<u><u>\$ 126,642</u></u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 275	\$ 424
Food Sales	128,805	115,838
Miscellaneous	5,419	3,998
State Sources		
State Aid - Regular	17,532	16,494
Federal Sources		
Federal Aid	151,946	139,931
U.S.D.A. Donated Commodities	26,661	21,329
	<hr/>	<hr/>
Total Revenues	330,638	298,014
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries		
Cooks and Assistants	82,423	84,680
Student Salaries	2,300	2,797
Employee Benefits		
Life and Long-Term Disability Insurance	277	552
Health, Dental and Vision Insurance	35,294	32,396
Retirement	13,863	14,907
Employer Social Security	5,561	5,846
Worker's Compensation	1,799	1,059
Purchased Services		
Travel and Expense	340	96
Professional and Technical	900	900
Repairs and Maintenance	2,142	1,769

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

FOOD SERVICE FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
Supplies and Materials		
Food Purchases	143,311	125,007
U.S.D.A. Donated Commodities	26,661	21,329
Other Supplies	8,881	7,377
Other Expenses	<u>791</u>	<u>476</u>
 Total Expenditures	 <u>324,543</u>	 <u>299,191</u>
 Excess (Deficiency) of Revenues Over Expenditures	 6,095	 (1,177)
 <u>FUND BALANCE</u> - Beginning of Year	 <u>1,836</u>	 <u>3,013</u>
 <u>FUND BALANCE</u> - End of Year	 <u>\$ 7,931</u>	 <u>\$ 1,836</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 40,551	\$ 35,088
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Unreserved		
Designated for Athletic Activities	40,551	35,088
TOTAL LIABILITIES AND FUND BALANCE	\$ 40,551	\$ 35,088

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$        60	\$        81
Admissions	27,132	30,736
	<hr/>	<hr/>
Total Revenues	27,192	30,817
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Salaries	182,978	179,903
Employee Benefits		
Life and Long-Term Disability Insurance	337	271
Health, Dental and Vision Insurance	14,268	13,495
Retirement	31,059	31,724
Employer Social Security	13,910	13,680
Annuities	1,500	1,500
Worker's Compensation	234	148
Purchased Services		
Travel and Expense	1,242	415
Officials and Game Workers	19,407	20,735
Printing and Binding	538	464
Equipment Repairs	120	3,400
Supplies and Materials		
Athletic Supplies	13,629	12,131
Uniforms	5,882	6,459
Awards and Trophies	0	1,252
Capital Outlay		
Equipment	1,809	913
Other Expenses		
Dues and Fees	6,135	6,376
Sports Tournaments	720	1,048
Sports Camps	1,782	1,764
Miscellaneous	412	654
	<hr/>	<hr/>
Total Expenditures	295,962	296,332
	<hr/>	<hr/>



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

ATHLETIC ACTIVITIES FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
Excess (Deficiency) of Revenues Over Expenditures	(268,770)	(265,515)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In - General Fund	<u>274,233</u>	<u>279,720</u>
Net Change in Fund Balance	5,463	14,205
<u>FUND BALANCE</u> - Beginning of Year	<u>35,088</u>	<u>20,883</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 40,551</u>	<u>\$ 35,088</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 78,345	\$ 84,306
Investments	67,338	64,659
	<hr/>	
TOTAL ASSETS	\$ 145,683	\$ 148,965
<hr/>		
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 1,017
Due to Other Funds	14,788	20,786
	<hr/>	
Total Liabilities	14,788	21,803
<hr/>		
<u>FUND BALANCE</u>		
Reserved for Endowments	50,000	50,000
Unreserved	<hr/>	
Designated for School Operated Public Library	80,895	77,162
	<hr/>	
Total Fund Balance	130,895	127,162
	<hr/>	
TOTAL LIABILITIES AND FUND BALANCE	\$ 145,683	\$ 148,965
	<hr/>	

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

SCHOOL OPERATED PUBLIC LIBRARY FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 2,922	\$ 3,453
Donations	200	3,960
Copies and Book Fines	855	1,223
Intermediate Sources		
Penal Fines	20,876	24,305
State Sources		
Library State Aid	3,652	2,122
Total Revenues	<u>28,505</u>	<u>35,063</u>
<u>EXPENDITURES</u>		
Salaries	12,171	16,993
Employee Benefits		
Retirement	1,703	2,507
Employer Social Security	899	1,272
Worker's Compensation	16	14
Purchased Services		
Professional and Technical	3,491	3,471
Repairs and Maintenance	90	400
Supplies and Materials		
Library Books	1,927	0
Periodicals	516	486
Other Supplies	1,621	1,661
Other Expenses		
Miscellaneous	100	0
Capital Outlay	2,238	0
Total Expenditures	<u>24,772</u>	<u>26,804</u>
Excess (Deficiency) of Revenues Over Expenditures	3,733	8,259
<u>FUND BALANCE</u> - Beginning of Year	<u>127,162</u>	<u>118,903</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 130,895</u>	<u>\$ 127,162</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2008  
WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

			<u>TOTALS</u>	
	<u>1997</u>	<u>1998</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>				
Cash	\$ 233,439	\$ 0	\$ 233,439	\$ 206,186
Taxes Receivable	3,967	0	3,967	5,757
Due from Other Funds	4,706	0	4,706	4,869
Total Assets	<u>\$ 242,112</u>	<u>\$ 0</u>	<u>\$ 242,112</u>	<u>\$ 216,812</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Deferred Revenue	\$ 2,938	\$ 0	\$ 2,938	\$ 4,742
<u>FUND BALANCE</u>				
Reserved for Debt Service	239,174	0	239,174	212,070
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 242,112</u>	<u>\$ 0</u>	<u>\$ 242,112</u>	<u>\$ 216,812</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008

WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2007

			<u>TOTALS</u>	
	<u>1997</u>	<u>1998</u>	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>				
Local Sources				
Property Tax Levy	\$ 528,312	\$ 0	\$ 528,312	\$ 664,393
Earnings on Investments and Deposits	4,669	0	4,669	6,097
State Sources				
State Aid	0	0	0	0
Total Revenues	532,981	0	532,981	670,490
<u>EXPENDITURES</u>				
Redemption on Serial Bonds	390,000	0	390,000	610,000
Interest on Building and Site Bonds	114,855	0	114,855	139,590
Dues and Fees	1,000	0	1,000	1,150
Taxes Abated and Written Off	22	0	22	2,284
Total Expenditures	505,877	0	505,877	753,024
Excess (Deficiency) of Revenues Over Expenditures	27,104	0	27,104	(82,534)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	0	0	17,898
Transfers Out	0	0	0	(17,898)
Net Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	27,104	0	27,104	(82,534)
<u>FUND BALANCE</u> - Beginning of Year	212,070	0	212,070	294,604
<u>FUND BALANCE</u> - End of Year	\$ 239,174	\$ 0	\$ 239,174	\$ 212,070

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND

COMPARATIVE BALANCE SHEET

JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Due from Other Funds	\$ 100,000	\$ 100,000
Interest Receivable	8,167	1,441
Investments	<u>803,710</u>	<u>963,004</u>
 TOTAL ASSETS	 <u>\$ 911,877</u>	 <u>\$ 1,064,445</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 3,860	\$ 0
 <u>FUND BALANCE</u>		
Unreserved		
Designated for Capital Projects	<u>908,017</u>	<u>1,064,445</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 911,877</u>	 <u>\$ 1,064,445</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

CAPITAL PROJECT FUND  
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30,

	<u>2008</u>	<u>2007</u>
<u>REVENUES</u>		
Local Sources		
Earnings on Investments and Deposits	\$ 38,298	\$ 53,172
<u>EXPENDITURES</u>		
Capital Outlay		
Buildings, Site Improvements, Furniture and Equipment	<u>194,726</u>	<u>365,181</u>
Excess (Deficiency) of Revenues Over Expenditures	(156,428)	(312,009)
<u>OTHER FINANCING SOURCES (USES)</u>		
Operating Transfers In	<u>0</u>	<u>200,000</u>
Net Change in Fund Balance	(156,428)	(112,009)
<u>FUND BALANCE</u> - Beginning of Year	<u>1,064,445</u>	<u>1,176,454</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 908,017</u>	<u>\$ 1,064,445</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS

MCBAIN, MICHIGAN

AGENCY FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2008

	BALANCE 7/01/07	RECEIPTS (Including Transfers)	DISBURSEMENTS	BALANCE 6/30/08
Athletic	\$ 7,672	\$ 29,031	\$ 30,553	\$ 6,150
Band Supplies	9,345	21,848	22,168	9,025
Choir	1,610	25,431	23,661	3,380
Chorale	1,211	0	1,211	0
Class of 2007	703	0	703	0
Class of 2008	1,238	31,323	31,984	577
Class of 2009	3,399	6,449	8,879	969
Class of 2010	866	4,120	2,226	2,760
Class of 2011	0	1,831	1,076	755
Debate Camp Fund	797	459	620	636
Drama Club	263	0	0	263
Elementary Account	4,771	8,160	9,669	3,262
Flower Fund	127	0	0	127
Fun Funds	338	1,910	2,068	180
Library	715	0	0	715
McBain Rural Foundation	392	15,495	15,614	273
Mexico Trip	(15)	15	0	0
Miscellaneous	1,334	2,851	3,564	621
Middle School	6,257	32,296	28,108	10,445
Missaukee Area Teen Center	3,043	0	265	2,778
National Honor Society	1,594	12,680	13,081	1,193
Photo Club	487	0	487	0
Project H.E.R.O.	454	3,041	3,066	429
Prom Night	1,835	1,988	1,850	1,973
Resource Room	757	0	0	757
Student Council	3,826	1,867	1,987	3,706
Summer Basketball Camp	207	1,106	1,313	0
Summer Football	0	5,556	5,356	200
Technology	62	0	0	62
Yearbook	239	9,860	9,150	949
	<u>\$ 53,527</u>	<u>\$ 217,317</u>	<u>\$ 218,659</u>	<u>\$ 52,185</u>
Represented by				
Assets				
Cash	<u>\$ 53,527</u>			<u>\$ 52,185</u>
Liabilities				
Due to Groups and Organizations	<u>\$ 53,527</u>			<u>\$ 52,185</u>



MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1997 SCHOOL BUILDING AND SITE REFUNDING BOND PAYMENT SCHEDULE  
JUNE 30, 2008

<u>TITLE OF ISSUE</u>	1997 School Building and Site Refunding Bonds		
<u>PURPOSE</u>	For erecting, furnishing and equipping additions to, and partially remodeling, refurnishing and equipping the McBain school building; refunding the outstanding 1987 School Building and Site Bonds		
<u>DATE OF ISSUE</u>	November 1, 1997		
<u>INTEREST PAYABLE</u>	May 1, and November 1, of each year		
<u>AMOUNT OF ISSUE</u>	\$ 5,610,000		
<u>AMOUNT REDEEMED</u>			
Prior to Current Year	\$ 3,270,000		
During Current Year	<u>390,000</u>	<u>3,660,000</u>	
<u>BALANCE OUTSTANDING - June 30, 2008</u>			<u><u>\$ 1,950,000</u></u>

<u>DUE DATES</u>	<u>INTEREST RATE</u>	<u>REQUIREMENTS</u>		
		<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
November 1, 2008		\$ 48,263	\$ 48,263	
May 1, 2009	4.65%	438,263	48,263	\$ 390,000
November 1, 2009		38,903	38,903	
May 1, 2010	4.80%	428,903	38,903	390,000
November 1, 2010		29,348	29,348	
May 1, 2011	4.90%	419,348	29,348	390,000
November 1, 2011		19,598	19,598	
May 1, 2012	5.00%	409,598	19,598	390,000
November 1, 2012		9,848	9,848	
May 1, 2013	5.00%	399,848	9,848	390,000
		<u>\$ 2,241,920</u>	<u>\$ 291,920</u>	<u>\$ 1,950,000</u>

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1997 SCHOOL BUILDING AND SITE REFUNDING BOND PAYMENT SCHEDULE  
JUNE 30, 2008

DENOMINATION

\$5,000 each, numbered 1 to 1,122, inclusive

REDEMPTION PRIOR TO MATURITY

Bonds of this issue maturing in the years 1999 to 2007, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2008 to 2013, inclusive, shall be subject to redemption prior to maturity, at the option of the Issuer, in such order as the Issuer may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2007, at par plus accrued interest to the date fixed for redemption.

MCBAIN RURAL AGRICULTURAL SCHOOLS  
MCBAIN, MICHIGAN

1998 SCHOOL IMPROVEMENT BOND PAYMENT SCHEDULE  
JUNE 30, 2008

1998 BOND ISSUE

<u>TITLE OF ISSUE</u>	1998 School Improvement Bond
<u>PURPOSE</u>	For purposes permitted in Section 1351(a) of Act 451, Public Acts of Michigan
<u>DATE OF ISSUE</u>	November 24, 1998
<u>INTEREST PAYABLE</u>	May 15th, of each year
<u>AMOUNT OF ISSUE</u>	\$ 74,383
<u>AMOUNT REDEEMED</u>	
Prior to Current Year	\$ 26,862
During Current Year	<u>0</u>
	<u>26,862</u>
<u>BALANCE OUTSTANDING - June 30, 2008</u>	<u><u>\$ 47,521</u></u>

<u>DUE DATES</u>	<u>REQUIREMENTS</u>		
	<u>TOTAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>
May 15, 2009	\$ 35,096	\$ 6,200	\$ 28,896
May 15, 2010	5,223	886	4,337
May 15, 2011	5,224	681	4,543
May 15, 2012	5,223	464	4,759
May 15, 2013	5,223	237	4,986
	<u>\$ 55,989</u>	<u>\$ 8,468</u>	<u>\$ 47,521</u>

<u>REDEMPTION PRIOR TO MATURITY</u>	This bond is not subject to redemption prior to maturity by the School District and the School District may not issue any other bonds or obligations for the purpose of refunding this bond.
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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

July 28, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools for the year ended June 30, 2008, and has issued our report thereon dated July 28, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 13, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of McBain Rural Agricultural Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of McBain Rural Agricultural School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by McBain Rural Agricultural Schools are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed several adjusting journal entries which were reviewed and accepted by management. No material misstatements were noted.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 28, 2008.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of McBain Rural Agricultural Schools for the year ended June 30, 2008, we noted the following list of items which we feel deserve comment:

Lack of Adequate Internal Controls Over Decentralized Cash Collections

Management is responsible for establishing and maintaining internal controls over cash for the district.

At many school districts, internal controls over decentralized cash collections present a challenge for management. The District currently does not have entirely effective controls in place related to decentralized cash collections.

This condition was caused by limited personnel involved in the process and a lack of documentation related to the cash collection process.

The effect of this condition is that an environment is created in which the potential exists for cash collections to not be deposited into the District's bank accounts and go undetected in the financial recordkeeping process.

The District is aware of this limitation, and is in the process of evaluating and implementing controls to correct or mitigate this situation in the future.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
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July 28, 2008

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
McBain Rural Agricultural Schools  
McBain, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McBain Rural Agricultural Schools, McBain, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the McBain Rural Agricultural Schools, McBain, Michigan's basic financial statements and have issued our report thereon dated July 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered McBain Rural Agricultural Schools, McBain, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

## (1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the District make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. We realize that it is not financially practical for the Board to establish a larger accounting staff in order to implement proper segregation of duties.

## (2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the District's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the District has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the District's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the District's *internal* controls.

This condition was caused by the District's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the District to perform this task internally.

As a result of this condition, the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

(View of responsible official) – The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether McBain Rural Agricultural Schools, McBain, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*